



## Office of City Auditor Memorandum

**Date:** October 10, 2002

**To:** Gary Zarker, Superintendent, Seattle City Light  
Mike Sinowitz, Acting Deputy Superintendent, Seattle City Light

**From:** Scottie Nix, Assistant City Auditor for Internal Controls

**Subject:** Audit of Power Source Disclosure and Customer Credit Programs for the California Energy Commission

The City of Seattle's Office of City Auditor conducted this audit to assist Seattle City Light (City Light) by verifying that it had complied with the requirements of the California Energy Commission's (CEC) Renewable Energy Customer Credit Program. Under this program, a service provider receives payments from the CEC for purchasing energy produced by renewable sources ("green power") and using this power to meet its load. The service provider must pass the CEC payment to the customer that used the renewable energy. City Light qualified for the program by purchasing power from renewable sources and supplying it to a retail customer in California (Nordstrom, Inc). The CEC requires service providers participating in the program to undergo an audit in accordance with the CEC's audit protocol.

In the past, City Light played a unique role in California because it acted as both a Scheduling Coordinator (SC) and an Energy Service Provider (ESP) to 31 meters at 30 facilities, for its single customer, Nordstrom. City Light usually supplied the power for these loads from deliveries of interchange or occasionally from inter SC trades. City Light owned no generation facilities in California.

Through its participation in the Renewable Energy Customer Credit Program, City Light qualified to receive about \$23,000 in credits that it was to pass to Nordstrom. The purpose of our audit was to verify that City Light satisfied the CEC requirements for participation in the program and that it passed the correct credit payment amount to its customer (i.e., Nordstrom).

We reviewed the CEC's audit protocol and determined that the protocol's requirements far exceeded the audit procedures that would provide the CEC with sufficient assurance that City Light complied with the program's guidelines. We communicated this concern to City Light officials. In August 2002, Marilyn Semro, City Light Senior Power Analyst communicated via email with CEC staff to explain why our office and City Light believed that the protocol's requirements were excessive given the small size of City Light's power sales to Nordstrom in California and that our office should be allowed to perform a smaller number of audit procedures. According to a City Light official, the CEC agreed to permit our office to perform an audit tailored to City Light's unique circumstances.

To perform this audit we:

1. Reviewed the Green Purchase Power Agreement that City Light entered into with its green power provider, Enron Power Marketing, Inc. We also reviewed the City Light records that showed how the green power was purchased and distributed to Nordstrom and its meters.

2. Recalculated the credit for the Renewable Energy Customer Credit Program and verified that it was accurate based on the amount of power purchased by City Light.
3. Verified, via a positive confirmation letter, that Nordstrom received timely and accurate green energy credit payments from City Light.
4. Verified with City of Seattle finance officials that the CEC sent the proper credit payments to City Light.

Based on the work performed, we determined that City Light complied with the CEC's requirements for the customer credit and provided the proper credits to Nordstrom. We also located documentation that verified the City's receipt of the CEC green power credit payments.

Thank you for the opportunity to work with your staff. We were pleased to be able to provide this service for you and found your staff to be supportive, knowledgeable and professional.

If you have any questions about this audit, please contact me either via phone (233-1094) or e-mail ([scottie.nix@seattle.gov](mailto:scottie.nix@seattle.gov)).

cc: Heidi Wills, Councilmember, Chair, Energy and Environmental Policy Committee  
Jan Drago, Councilmember, Chair, Finance, Budget, Business and Labor Committee  
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